

✓

MATTAGAMI LAKE MINES LIMITED

annual report 1974

MATTAGAMI LAKE MINES LIMITED

(No Personal Liability)

ANNUAL MEETING — Mattagami Lake Mines Limited. Le Chateau Champlain, Montreal, Quebec, on Wednesday the 16th day of April, 1975, at 11:00 o'clock in the forenoon (Montreal time).

On peut se procurer la version française de ce rapport en en faisant la demande au bureau de direction de la compagnie, B.P. 45, Commerce Court West, Toronto, Ontario M5L 1B6.

REPORT OF THE DIRECTORS

To the Shareholders

Submitted herewith is the Annual Report together with the report of the auditors for the year ended December 31, 1974.

EARNINGS

Consolidated net income for the year was \$40.1 million or \$3.03 per share compared to \$33.5 million or \$2.53 per share in 1973. Consolidated net revenue increased \$25.7 million, the result of higher metal prices and improved operation. Taxes more than doubled those of the previous year and were \$20.6 million higher, or \$1.56 per share. Mattabi's exemption for income tax ended in 1973. The adverse effect of escalating operating costs, lower copper price and the higher taxes became evident in the fourth quarter when income dropped substantially compared to the same period of 1973 and the third quarter of 1974.

A sub-division of shares on a two-for-one basis was approved by shareholders at a Special General Meeting held on April 11, 1974.

Interim quarterly dividends of 17½¢, 20¢, 40¢, 40¢ and an extra 10¢ dividend were paid on the sub-divided shares totalling \$1.27½ per share, compared to 75¢ per share in 1973. On February 20, 1975 an interim dividend of 40¢ per share was declared payable March 17, 1975.

FINANCIAL

Capital expenditures during 1974 totalled \$13.6 million and working capital increased by \$0.8 million to \$58.6 million.

OPERATIONS, Matagami Quebec Division

Improvements in accident prevention, production rate and metal recoveries exemplified the efficiency provided by all the operating departments at the mine in Matagami. Ore recovered from the more difficult pillar mining accounted for 61% of the mill feed. New in-

stallations included a zinc regrind mill and a process control computer which will increase efficiency in the flotation section. The latter installation proceeded smoothly on time and below target cost. Three reagent control loops were functioning at year end, the remaining four will be on stream within six months. Operating costs were \$2.6 million higher than 1973 due to the rapid rise in costs of labour, supplies and service.

Electrolytic Zinc Plant

A forty-four day strike by the hourly-rated employees was settled on May 29, 1974 with the signing of a three-year collective agreement. Total production for the year was 134,800 tons of zinc and 772,000 pounds of cadmium.

Despite operating improvements, the plant costs increased due to a 30% increase in salaries and wages and higher costs for fuel, reagents and hydro-electric power.

The expansion project, which will raise the rated capacity of the plant from 400 to 620 tons of slab zinc per day was hampered by difficulties in the Quebec construction industry. The low productivity of construction workers, together with extraordinary delays in equipment deliveries, will defer the start-up date by at least two months to September, 1975. The final cost of the expansion project is now estimated to be \$56.5 million.

Lyon Lake Division, Ignace, Ontario

Development of a permanent mining plant progressed well during the year with the installation of hoist, compressors and erection of a steel headframe nearing completion. Sinking of the 1,500-foot production shaft will start in April 1975. Fill-in diamond drilling of the Lyon Lake-Creek deposits confirmed the continuity of ore and some additional tonnage.

No further deep diamond drilling is planned from surface as this can be done from underground locations at a later date. Preproduction development and construction expenditures totalled \$2.9 million at December 31, 1974.

Exploration

During 1974 \$1.2 million was spent on mineral exploration, all in Canada, compared to \$843,000 in 1973.

The Exploration Division was active in all provinces except British Columbia, Prince Edward Island, Newfoundland and Nova Scotia. The current program is being expanded in the north and new field offices were opened at Matagami, Quebec and Edmonton, Alberta. Mattagami's effective exploration team, together with a strong working capital position, enhances the company's ability to find or acquire additional ore. Several staked or optioned target areas with good geological environment add interest to the 1975 exploration program.

ST. LAWRENCE FERTILIZERS LIMITED (62.5% interest)

Fertilizer production was some 60% lower than in 1973 due to a strike which began May 1, 1974 and continued to February 19, 1975. The employees did not obey court injunctions to return to work during the period May 1 to September 25, when the strike was illegal.

The outlook for 1975 is encouraging with the labour dispute resolved, since improved product prices should offset higher costs for labour and raw materials. Capital expenditures totalled \$289,000 mainly for the construction of gypsum disposal ponds.

GENERAL SMELTING COMPANY OF CANADA, LTD. (62.5% interest)

Federated-Genco Limited, owned 40% by General Smelting Company, a subsidiary of Mattagami Lake Mines, experienced a profitable year. Mattagami's share of the earnings was \$586,000. The outlook for 1975 is uncertain as several of their alloy products are used in the automotive industry.

MATTABI MINES LIMITED (60% interest)

During 1974 Mattabi retired all of its outstanding debt of \$29 million. Net earnings declined to \$24.9 million from \$29.4 million in 1973. Higher metal prices more than offset the lower head grades and revenue increased

\$6.4 million over the previous year. Earnings were adversely affected by an increase in operating costs of \$3.3 million and taxes of \$10.3 million.

The new graduated rate structure increased Ontario mining taxes by \$2.8 million over what they would have been under 1973 rates.

Production and metal recoveries improved despite some control difficulties which continue in the copper/lead separation process. Stockpiling of lower grade ore was reduced to the minimum due to problems encountered in treating oxidized ore, hence the grade of mill feed ore was lower than plan, but still above ore reserve grade. During the year 27,881 feet of exploratory diamond drilling was carried out. The results were disappointing as to economic values, though helpful in correlating further detail on the favourable geological horizon to the east and west of the open pit. Engineering studies continued for the planned extraction by underground mining methods of the deeper ore underlying the pit.

METAL MARKETS

Zinc — Western World metal production was unchanged despite labour disruptions in Australia and Canada, while consumption was down 8%. Consistent with reduced economic activity in the major world economies, zinc demand fell sharply after mid-year and by year end producer inventories were rising and U.S. stockpile sales were at a minimum.

In the U.S.A. prices for Prime Western zinc rose from 28-32¢ to 38-40¢ per pound while, in Canada, prices increased from 31¢ to 37¢, and the overseas producer price rose in two steps from 31.4¢ to 37.8¢.

With demand continuing to slump in 1975 the outlook is for higher producer inventories and lower production to bring market supplies into balance.

Copper — In 1974 refined copper consumption in the Western World declined 7%, while refined production augmented by the final U.S. stockpile release of 200,000 tons increased supply by 6%. Commodity exchange stocks declined from 43,000 tons to 13,000 tons in March, under strong first quarter demand, before rising to 189,000 tons at year end.

Prices on the London Metal Exchange rose from 91¢ to a record \$1.52 in April, and then fell sharply to 56¢ by year end. Prices in Canada increased from 74¢ to 82½¢ before dropping to 63¾¢ by early 1975.

Production is forecast to be in substantial surplus again in 1975 and the resultant inventory build-up and low prices have already resulted in output reductions.

Lead — Refined production and consumption was little changed from the previous year and some 230,000 tons of U.S. stockpile sales were needed by the market.

LME prices overseas ranged from 25¢ in January to a peak of 35¢ in May and then have been reasonably steady around 24¢ since mid-1974. In Canada, prices increased from 17½¢ to the current 21½¢ in April.

Silver — Industrial and coinage demand was strong and the shortfall in new mine production was covered by increased recovery from secondary sources and demonitized coins. Prices rose from \$3.25 per ounce to \$6.70 in February amid heavy speculative activity and thereafter ranged between \$3.75 and \$5.25.

TAXATION

The world economy changed in 1974, but more memorable to shareholders of Canadian resource companies was the change to heavy taxation. Shareholders realize that present government regulations and taxation policies erode the value of their investment and restrict their company's growth as the legislative climate is hostile to new mine development. The industry's representation to government, if heard, is not heeded and therefore it is vital for individual shareholders to express their objections and views to their political representatives. As an aid, it is timely to comment further on the 1974 tax changes and their impact on Mattagami's operations.

In December 1974 Quebec abruptly changed its tax structure on mining income, retroactive to April 1, increasing its rates of tax on graduated levels of income by 50% to 100%. Unlike Ontario, no increase in processing allowances or depreciation was offered to alleviate the impact of the higher rates. However, percentage depletion continues to be available in the calculation of Quebec corporation tax and mining taxes will be deduct-

ible in the same calculation. It was announced that the change was a temporary measure, in effect until March 31, 1975 and there are indications that some modification may be introduced in Quebec's spring budget.

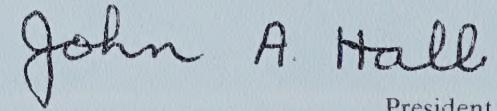
Ontario proposed changes to its mining tax law in April 1974. The flat 15% tax on mining profits was replaced by a graduated rate structure on various levels of profits, ranging from 15% on the first million dollars to 40% on profits in excess of forty million dollars. Increased allowances for further processing in Northern Ontario were made available which would reduce the impact of the increased tax rates for the few companies able to take advantage of the allowances. Ontario also will continue to allow percentage depletion in the calculation of Ontario corporation tax but will allow no deduction for mining taxes payable.

The impact of these changes is heightened by the federal government's position, taken to protect its own treasury, that provincial mining taxes and royalties will no longer be deductible in calculating income subject to federal tax. In lieu thereof an abatement of 15 points of tax will be made from the federal rate.

The combined effect of these changes increased Mattagami's consolidated tax burden by \$6.1 million for the applicable nine months of 1974.

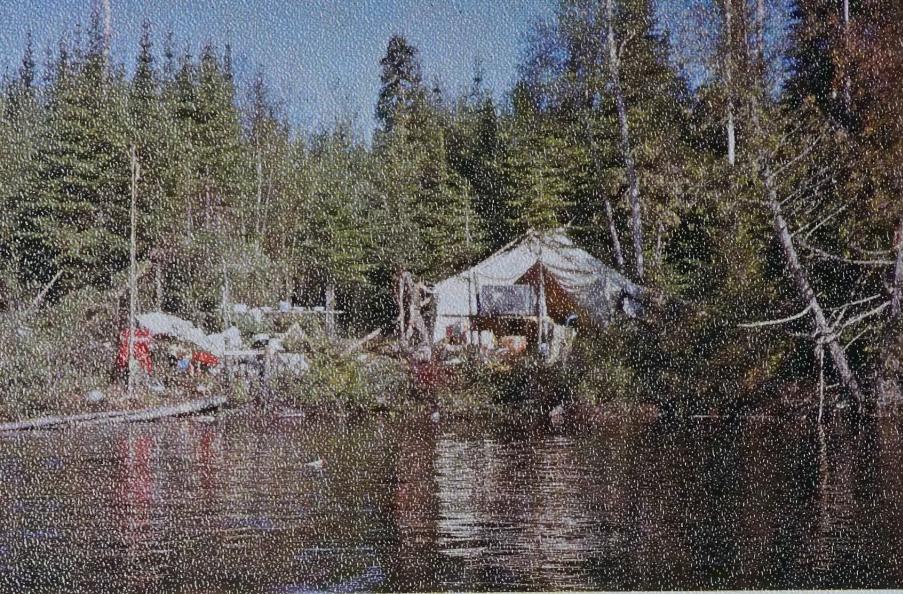
The Directors wish to express their appreciation to all employees for their significant contribution to efficient operations which provided the base for a successful fiscal year.

On behalf of the Board,

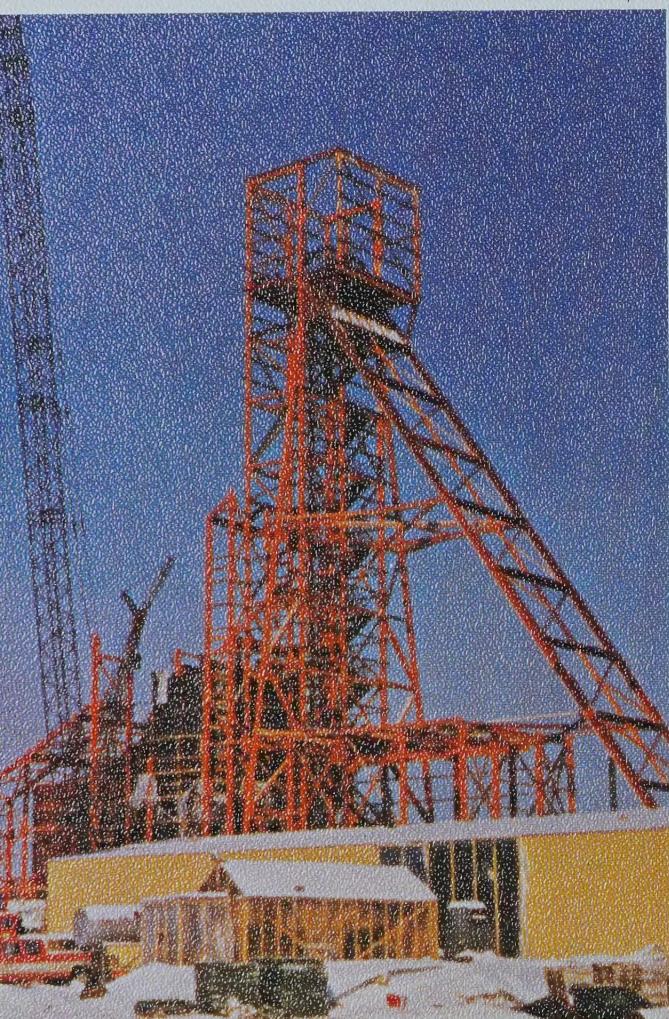


President

Toronto, Ontario,
February 20, 1975.



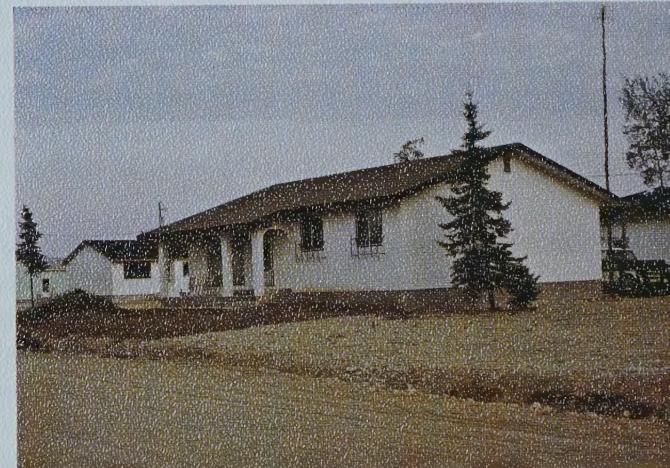
Typical Mattagami exploration camp in its early stages — Sturgeon Lake area of Ontario.



Partially complete headframe of Lyon Lake Division, Ontario.



Hoist foundation at Lyon Lake Division, Ont.



Homes in Ignace, Ontario, built under Mattabi's Employee Housing Plan.



Favourable results of the revegetation programme of tailings area at Mattagami Mine site, Matogami, P.Q.

REPORT OF THE GENERAL MANAGER

Gentlemen:

I respectfully submit this report on operations at Mattagami Lake Mines Limited, Matagami, Quebec, Mattabi Mines Limited, Ignace, Ontario, as well as other developments in which the Company is interested.

MATTAGAMI LAKE

Production	1974	1973	1972
Ore Milled — dry tons	1,406,765	1,387,000	1,370,000
Daily rate — dry tons	3,854	3,801	3,744
Calculated grade of ore milled			
Zinc — %	7.5	7.4	7.4
Copper — %	0.62	0.57	0.56
Silver — oz./ton	0.88	0.84	0.88
Gold — oz./ton	0.017	0.016	0.017
Zinc concentrate produced			
Short dry tons	183,559	178,104	172,132
Grade — % zinc	52.7	52.2	52.2
Copper concentrate produced			
Short dry tons	27,148	23,907	23,007
Grade — % copper	24.4	24.8	23.7
Silver — oz./ton of concentrate	8.92	9.14	7.62
Gold — oz./ton of concentrate	0.173	0.149	0.137

Seventy-four per cent of the zinc concentrate was treated at Canadian Electrolytic Zinc, Valleyfield, Quebec, 24.5% was shipped to Quebec City for export and 1.5% to the United States.

All the copper concentrate was shipped to the smelter of Noranda Mines Limited at Noranda, Quebec.

Milling

The mill operated 97.08% of the possible time and tonnage treated was 1.4% higher than for 1973.

There was a further improvement in metal recoveries over the previous year. The improvement in zinc recovery was due to the installation of a zinc regind circuit which was completed in March, 1974.

Metal recoveries for the year were as follows:

	1974	1973
Zinc — %	91.3	91.0
Copper — %	75.6	74.5

Mining

During the year mine development continued chiefly in the No. 1 orebody, with access headings, ex-

haust raises and fringe drifts making up the bulk of the advance.

A load-haul-dump access was driven from the 350-foot level to surface which will permit the use of underground equipment for the removal of the remainder of the crown pillar. The ore pass above the No. 2 crusher was extended to surface and will also be employed in the removal of the crown pillar by eliminating an appreciable amount of tramping.

Mining continued on both No. 1 and No. 2 orebodies with 21% of the mill feed supplied by No. 2 orebody.

At year-end there were 1,177,000 tons of broken ore in working places.

Ore Reserves

Proven ore reserves, calculated to mining outline, and without allowance for dilution, are as follows:

	Tons	% Zinc	% Copper	Gold Oz/ton	Silver Oz/ton
No. 1 Orebody	11,439,724	8.7	0.66	0.015	0.98
No. 2 Orebody	736,257	9.3	0.65	0.015	0.98
Total	12,175,981	8.7	0.66	0.015	0.98

Ore reserves show a depletion of 1,452,109 tons after milling 1,406,765 tons and the loss of 45,254 tons remaining in stopes and pillars after mining was completed.

Filling

Some 498,000 tons of classified mill tailings were placed in completed stopes and pillars during the year, bringing the total placed to date to 6,340,000 tons. At year-end 48 stopes and pillars were filled and another 6 were in the process of filling.

Pillar Extraction

Pillar recovery continued as planned and this ore made up 61% of the mill feed. Pillar blasts totalled 1,300,000 tons of ore during the year, one single blast containing 675,000 tons.

Personnel

The average number of employees for 1974 was 449 compared with 437 for the previous year. Manpower re-

cruitment remained a problem — replacements are hard to get.

At year-end 68.3% of our employees had seniority of one year or more, compared with 79.3% at the end of 1973.

The accident rate decreased throughout the year to 7.8 compensable injuries per million manhours worked. The comparable rate for metal mines in the Province of Quebec was 19.

A three-year agreement was signed with Local 6131 of the Steelworkers of America on 28 June 1974.

General

Activity in the area due to the James Bay Project has slackened somewhat so that housing availability has improved substantially over the past year. On the other hand, business activity in the town of Matagami has decreased appreciably.

Recreation facilities provided by the Company over the years were extensively used and enjoyed by all residents of the community.

MATTABI MINES LIMITED, Ignace, Ontario

This mine, owned 60% by Mattagami Mines and 40% by Abitibi Paper Company is located about 50 miles north of the town of Ignace in northwestern Ontario.

Production for 1974 is summarized in the following table together with comparative figures for 1973, the first full year of operation.

Production		1974	1973
Ore milled	— dry tons	1,138,965	1,111,765
Daily rate	— dry tons	3,120	3,046
Grade of ore milled			
Zinc	— %	8.81	11.37
Copper	— %	0.91	1.10
Lead	— %	0.91	1.06
Silver	— Oz./ton	4.31	5.31
Zinc concentrate	— dry tons	164,897	202,513
Grade	— % zinc	54.4	55.4
Recovery	— % zinc	89.4	88.7
Copper concentrate			
Dry tons		33,900	38,568
Grade	— % copper	25.4	25.5
Recovery	— % copper	83.0	80.5
Lead concentrate			
Dry tons		9,428	12,685
Grade	— % lead	46.2	37.5
Recovery	— % lead	41.9	40.2
Ounces Silver in copper and lead concentrates		3,409,000	4,182,324
Total recovery of silver — %		69.5	71.2

Zinc concentrates were shipped to Canadian customers, to Quebec City for export, and to the United States. All the copper concentrates were shipped to the smelter of Noranda Mines Limited at Noranda, Quebec.

Milling

The mill operated throughout the year at an average rate of 3,120 tons per day. Rod mill operating time was 97.4% of the possible time. Output for the fourth quarter 1974 averaged 3,208 tons per day.

Flotation results improved steadily through 1974 and recovery of copper, zinc and lead was higher than the year previous in spite of lower grades in the mill feed. The copper-lead separation process is still found to be difficult to control, particularly when ore reclaimed from stockpile shows signs of oxidation.

Mining

Some 3,859,000 tons of material were removed by the pit equipment in 1974. The ratio of waste, overburden and stockpiled ore to the ore delivered to the crusher was 2.4 to 1.

Mining operations continued to be adversely affected by high turnover of operators and the shortage of equipment mechanics.

Ore Reserves

After milling 1,138,965 tons in 1974 the ore reserves now contain 11,059,000 tons with an average grade of 6.51% zinc, 0.74% copper, 0.64% lead and 2.42 ounces silver per ton.

Planning for the development and mining of the underground portion of the orebody is continuing.

The exploration programme on the property of the company, outside the limits of the presently known orebody, continued although no economic values were encountered. A total of 27,881 feet of diamond drilling was completed during the year.

General

At the year-end there were 298 employees on the payroll. Turnover amounted to 116% which compared

with 119% in 1973. The proportion of employees with over one year seniority was 56%.

Thirty additional houses were built during the year for sale to employees, and an existing 10-unit motel was purchased to provide accommodation in Ignace for single personnel.

A medical clinic is under construction in the town with volunteer labour and materials provided by donations from Mattabi, other industries and individuals. Plans are in hand for a recreation centre in town, and a new high school is presently being built.

MATTAGAMI LAKE MINES – LYON LAKE DIVISION

Formerly known as the Lyon Lake Project, Claim Group 23, this 69-claim property lies immediately east of Abitibi's Block 7, immediately north of Sturgeon Lake Mines Limited, and about five miles from the Mattabi Mine. There are now five known ore zones on the property, the last and deepest of which was discovered during the spring of 1974 while drilling a pilot hole on a potential shaft site. No tonnage figure has been placed on the new deep ore zone, nor additions calculated to the 1973 ore reserve figure resulting from drilling on the orebodies during 1974.

It is planned to develop the presently known Lyon Lake orebodies from a single vertical shaft, at a production rate of 1,000 tons per day by September, 1977.

During 1974 the access road to the shaft site had been completed, the plant site cleared, the shaft collar poured, the main power line built and the main sub-station energized, a well for domestic water had been drilled, and the former mining plant of Kam Kotia Mines Limited been dismantled, transported and partially re-assembled on its new location at Lyon Lake.

It is expected that the most essential construction will be completed by the middle of March, 1975 and that shaft sinking will get underway shortly thereafter.

MATTAGAMI LAKE MINES – EXPLORATION DIVISION

The Exploration Division continued to implement non-ferrous mineral exploration programmes in Canada east of the Alberta-Saskatchewan provincial boundary. New field offices were active at Matagami, Quebec and O'Sullivan Lake in Ontario, in addition to the field office at Sturgeon Lake, Ontario.

Expenditures increased from \$843,000 in 1973 to \$1,244,000 in 1974, a large part of the increase due to inflation.

The division expanded its activities into northern Saskatchewan and the Northwest Territories during the year, as well as carrying out active programmes in Ontario, Quebec and New Brunswick.

64,765 feet of diamond drilling were completed during the year.

ACKNOWLEDGMENT

I record with pleasure the hard work, loyalty and full cooperation received from Mr. Camille Marcoux, Manager of Mattagami Lake Mines and his staff and employees, Mr. John C. White, his staff and employees of Mattabi Mines, and Mr. John D. Harvey, Manager of Exploration, and his staff. And I record also the ever-present help, guidance and support received from the officers of the Company throughout the year.

Respectfully submitted,



MURRAY W. AIRTH, P.Eng.
General Manager
Toronto, Ontario,
February 20, 1975

CONSOLIDATED STATEMENT OF NET INCOME AND RETAINED EARNINGS

Year ended December 31, 1974

with comparative figures for 1973

	<u>1974</u>	<u>1973</u>
	(in thousands)	
Revenue from production	\$ 132,146	106,495
Expense:		
Costs of production	36,338	32,358
Administration and corporate	839	545
Exploration	1,244	843
Depreciation	6,958	6,616
Amortization	1,830	1,831
Interest	980	3,329
	<u>48,189</u>	<u>45,522</u>
Net operating income	83,957	60,973
Investment and other income	3,465	1,090
	<u>87,422</u>	<u>62,063</u>
Income and mining taxes (note 1):		
Current	36,731	16,252
Deferred	150	—
	<u>36,881</u>	<u>16,252</u>
Minority interest in net income of subsidiaries	50,541	45,811
	<u>10,432</u>	<u>12,283</u>
Net income for the year	40,109	33,528
Retained earnings at beginning of year:		
As previously reported	67,878	44,277
Adjustment to reflect retroactive change in accounting policy	3,332	3,332
Retained earnings at beginning of year as restated	<u>64,546</u>	<u>40,945</u>
Dividends	16,884	9,927
Retained earnings at end of year	<u>\$ 87,771</u>	<u>64,546</u>
Earnings per share (subdivided — note 2)	<u>\$ 3.03</u>	<u>2.53</u>

See accompanying summary of significant accounting policies and notes
to consolidated financial statements.

MATTAGAMI LAKE MINES LIMITED (*Incorporated under the laws of Quebec*)
(NO PERSONAL LIABILITY)
AND SUBSIDIARIES

CONSOLIDATED BALANCE with comparative

ASSETS

	<u>1974</u>	<u>1973</u>
	(in thousands)	
Current assets:		
Cash and short-term investments	\$ 28,495	17,546
Marketable securities, at cost (market value \$4,818; 1973 — \$2,625) ..	5,415	1,926
Accounts and settlements receivable	11,250	13,644
Mine products	43,979	40,858
Prepaid expenses and other inventories	4,453	4,107
	<u>93,592</u>	<u>78,081</u>
Fixed assets:		
Property, plant and equipment, at cost	89,356	86,856
Less accumulated depreciation	47,184	40,248
	<u>42,172</u>	<u>46,608</u>
Plant under construction, at cost	10,998	1,976
Mining property and rights, at cost	5,368	5,368
	<u>58,538</u>	<u>53,952</u>
Other assets:		
Investments	2,819	2,774
Preproduction and deferred development expenditures	6,343	6,075
Other	2,358	2,300
	<u>11,520</u>	<u>11,149</u>
	\$ 163,650	143,182

See accompanying summary of significant accounting policies and notes to consolidated financial statements

HEET – DECEMBER 31, 1974

ures for 1973

LIABILITIES

	<u>1974</u>	<u>1973</u>
	(in thousands)	
Current liabilities:		
Bank loans	\$ —	975
Accounts payable and accrued liabilities	7,507	6,534
Income and mining taxes payable (note 1)	27,304	9,879
Current portion of long-term debt	127	2,866
	<u>34,938</u>	<u>20,254</u>
Long-term debt:		
Bank loans	—	25,300
6% Bonds, maturing 1980	1,400	1,400
6½% Debentures, maturing 1980	975	1,150
	<u>2,375</u>	<u>27,850</u>
Minority interest in subsidiaries	26,676	18,798
Deferred income and mining taxes	3,482	3,332
Shareholders' equity:		
Capital stock (note 2):		
Authorized 20,000,000 shares of no par value		
Issued 13,242,200 shares	6,621	6,621
Contributed surplus (note 2)	1,787	1,781
	<u>8,408</u>	<u>8,402</u>
Retained earnings	87,771	64,546
	<u>96,179</u>	<u>72,948</u>
Commitments (note 3)	<u>\$ 163,650</u>	<u>143,182</u>

On behalf of the Board:

W. S. ROW, Director

J. A. HALL, Director

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Year ended December 31, 1974

with comparative figures for 1973

	<u>1974</u>	<u>1973</u>
	(in thousands)	
Working capital at beginning of year	\$57,827	26,992

Funds provided:

From operations:

Net income for the year	40,109	33,528
Minority interest in net income of subsidiaries	10,432	12,283
Charges not requiring outlay of funds:		
Depreciation and amortization	8,788	8,447
Deferred income and mining tax	150	—
	<u>59,479</u>	<u>54,258</u>
Issue of capital stock	6	140
Total funds provided	<u>59,485</u>	<u>54,398</u>

Used as follows:

Repayment of bank loans	25,300	8,593
Property, plant and equipment	11,544	3,734
Dividends	16,884	9,927
Minority interest in dividends of subsidiaries	2,062	—
Preproduction and deferred development expenditures	2,098	399
Increase in investments	45	501
Other, net	725	409
Total funds used	<u>58,658</u>	<u>23,563</u>
Net increase	<u>827</u>	<u>30,835</u>
Working capital at end of year	<u><u>\$58,654</u></u>	<u><u>57,827</u></u>

See accompanying summary of significant accounting policies and notes
to consolidated financial statements.

**SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES**
December 31, 1974

Basis of Financial Statement Presentation:

The accompanying consolidated financial statements include the accounts of Mattagami Lake Mines Limited and all its subsidiaries of which the principal operating ones are Mattabi Mines Limited, St. Lawrence Fertilizers Limited, and General Smelting Company of Canada Limited.

Change in Accounting Policy:

Prior to 1974 the Company did not provide for income and mining taxes on the tax allocation basis. The change in accounting policy in 1974 has been given retroactive effect by restating opening retained earnings to reflect a cumulative charge of \$3,332,000 to earnings prior to 1974. The effect of following different accounting policies in 1973 and 1974 is not material.

Inventories:

Mine products are valued at estimated net realizable value. Other inventories are valued at the lower of cost and estimated net realizable value.

Depreciation and Amortization:

Property, plant and equipment are being depreciated on a straight line basis over the estimated physical and economic life of the assets. Preproduction and deferred development expenditures are being amortized on a straight line basis over 4 to 7 years. Mining property and rights are not amortized.

Exploration Expenditures:

Exploration expenditures are charged against current income unless they relate to properties from which a productive result is reasonably certain.

Investments:

General Smelting has an investment which is accounted for on the equity basis.

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS**
December 31, 1974

1. Income Taxes:

Under provisions of the income tax legislation, no taxes were exigible on the income of Mattabi Mines Limited during the exempt period commencing August 1, 1972 when it came into production and ending December 31, 1973. Mattabi had provided depreciation and amortization in its accounts during this period but had not claimed any amounts for income tax purposes. These amounts have been included as deductions in computing the current year's income and mining tax expense. This has had the effect of increasing 1974 consolidated net income by approximately \$1,650,000.

2. Capital Stock:

During April, 1974, the Company effected a two-for-one split of its common shares, and received approval to change its authorized capital stock from 7,000,000 shares of \$1 par value to 20,000,000 shares of no par value.

At December 31, 1974, options on 21,800 shares were outstanding under the Company's Stock Option Plan at prices varying from \$13.17 to \$17.31 for periods up to 1982. During 1974, options on 400 common shares (subdivided) were exercised for \$5,268, of which \$5,068 was attributed to contributed surplus.

3. Commitments:

Estimated capital expenditures approximate \$16,000,000 within the next year and \$25,000,000 within the next two years.

4. Remuneration of Directors and Senior Officers:

The aggregate direct remuneration paid to directors and senior officers during 1974 was \$162,000 (1973 — \$132,000).

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Mattagami Lake Mines Limited (No Personal Liability) and subsidiaries as of December 31, 1974 and the consolidated statements of net income and retained earnings and changes in financial position for the year then ended and have obtained all the information and explanations we have required. Our examination of the financial statements of Mattagami Lake Mines Limited and those subsidiaries of which we are the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of the other subsidiaries.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the companies, these consolidated financial statements are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company and subsidiaries as of December 31, 1974 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change in accounting policy referred to in the summary of significant accounting policies, on a basis consistent with that of the preceding year.

Toronto, Ontario
February 7, 1975

PEAT, MARWICK, MITCHELL & CO.
Chartered Accountants

AR52

MATTAGAMI LAKE MINES LIMITED

(No Personal Liability)

INFORMATION CIRCULAR

(as at February 15, 1974)

This Information Circular is furnished in connection with the solicitation of proxies by the management of Mattagami Lake Mines Limited (No Personal Liability) (the Company) for use at the Annual and Special General Meeting of the Shareholders of the Company to be held on Thursday, the 11th day of April, 1974, at the time and place and for the purposes set forth in the Notice of Meeting.

The execution and return of the enclosed instrument of proxy is solicited by the management of the Company. The solicitation will be primarily by mail, the cost of which will be borne by the Company.

Voting of Proxies

A Shareholder giving a proxy in the form enclosed has the power to revoke it at any time before it is exercised. A Shareholder has the right to appoint a person to represent him at the meeting other than the persons designated in the form of proxy. Such right may be exercised by filling in the name of such person in the blank space provided in the form of proxy.

Voting Shares and Principal Holders Thereof

At the close of business on February 15th, 1974, there were outstanding 6,620,900 shares of the Company of a par value of \$1.00 each. Shareholders of record at the time of the meeting are entitled to one vote for each share held.

Canex Placer Limited as of February 15th, 1974, owned 1,796,076 shares of the Company, representing 27.2% of the outstanding shares and Noranda Mines Limited as of February 15th, 1974, owned 2,075,000 shares of the Company representing 31.4% of the outstanding shares.

Election of Directors

The Board consists of ten directors to be elected annually. Each director so elected will hold office until the next Annual Meeting or until his successor is duly elected or appointed. It is the intention of the persons named in the enclosed form of proxy to vote for the election of the proposed nominees whose names are set forth below, all of whom are now directors of the Company and have been since the dates indicated. If any of the proposed nominees should for any unforeseen reason, be unable to serve as director of the Company, the persons named in the enclosed form of proxy reserve the right to vote for another nominee in their discretion.

The following table and notes thereto set out the names of the ten persons proposed to be nominated for election as directors, all positions and offices with the Company now held by them, their principal occupation or employment, the year in which they became directors of the Company, and the approximate number of shares of the Company beneficially owned directly or indirectly by each of them.

Proposed Nominees	Principal Occupation	Director Since	Number of Shares Owned
M. W. Airth Toronto, Ontario Director	General Manager of the Company	1970	2,300
J. M. R. Corbet Toronto, Ontario Director	Company Director	1958	15,000
R. G. Duthie Vancouver, British Columbia Director	Vice-President, Project Developments of Placer Development Limited (a mining company)	1966	51
J. A. Hall Toronto, Ontario President and Director	Vice-President — Mine Projects, Noranda Mines Limited	1971	1,000
Norman B. Keevil Toronto, Ontario Director	President and Chairman, Teck Corporation Limited (a mining company)	1971	100
R. Letourneau, Q.C. Quebec City, P.Q. Director	Senior partner in the legal firm of Letourneau, Stein, Marseille, Delisle & LaRue	1963	5,000
T. H. McClelland Vancouver, British Columbia Vice-President and Director	President and Chief Executive Officer, Placer Development Limited (a mining company)	1959	1
J. B. Redpath Toronto, Ontario Director	President, Dome Mines Limited	1958	1,100
W. S. Row Toronto, Ontario Chairman of the Board and Director	Executive Vice-President, Noranda Mines Limited	1959	5,000
W. Dent Smith Wilmington, Delaware Director	Company Director	1967	1

Note: The information as to shares beneficially owned, not being within the knowledge of the Company, has been furnished by the respective directors individually.

Remuneration of Directors and Senior Officers

- Aggregate direct remuneration paid or payable by the Company and its subsidiaries in 1973 to the directors and senior officers of the Company \$ 132,003
- Estimated aggregate cost to the Company and its subsidiaries in 1973 of all pensions proposed to be paid to the directors and senior officers of the Company under existing plans in the event of retirement at normal retirement age \$ 8,988
- During 1973 senior officers of the Company purchased common shares of the Company pursuant to stock options granted to them by the Company as follows:

Quarter in 1973	Number of Common Shares purchased	Purchase Price Per Share	Price Range of Shares on Toronto Stock Exchange
April — June	2625	\$11.69	\$33½ — \$35½
July — September	200	\$26.34	\$32 — \$35½

(The option price is fixed at 95% of an average trading price of the shares on the Toronto Stock Exchange at the time the option is granted.)

Management Contract

Noranda Mines Limited performs certain functions of management in connection with the operations of the electrolytic zinc reduction plant (partly owned by the Company) for which the Company paid \$140,000 in 1973 and Noranda Mines Limited provides accounting and head office facilities for the Company for which the Company paid \$143,000 in 1973.

The names and addresses of the insiders of Noranda Mines Limited are: J. C. Dudley, 3701 - 521 Fifth Avenue, New York, N.Y. 10017, U.S.A.; Louis Hebert, 511 Place d'Armes, Montreal, Quebec; William James, P.O. Box 91, Commerce Court West, Toronto, Ontario; D. E. Mitchell, 6th Floor, 736 - 8th Avenue S.W., Calgary 2, Alberta; Andre Monast, 500 Grande Allee East, Quebec, Quebec; J. D. Simpson, 700 Burrard Building, Vancouver 5, British Columbia; W. P. Wilder, P.O. Box 139, Commerce Court, Toronto, Ontario; J. N. Anderson, R. C. Ashenhurst, J. R. Bradfield, W. G. Brissenden, E. K. Cork, J. A. Hall, K. C. Hendrick, J. O. Hinds, L. G. Lumbers, R. L. Pepall, Q.C., R. V. Porritt, Alfred Powis, R. P. Riggan, W. S. Row, D. E. G. Schmitt and A. H. Zimmerman, P.O. Box 45, Commerce Court West, Toronto, Ontario. The management of Noranda Mines Limited has advised the Company that Hollinger Mines Limited of 2412, 44 King St. West, Toronto 1, Ontario, owns 1,801,520 shares, or approximately 7.4% of the outstanding shares of Noranda Mines Limited and that Labrador Mining and Exploration Limited, of 601 - 1155 Dorchester Blvd. W., Montreal 2, Quebec, an affiliate of Hollinger Mines Limited owns 815,310 shares, or approximately 3.4% of the outstanding shares of Noranda Mines Limited.

Appointment of Auditors

The persons named in the enclosed form of proxy will vote for the reappointment of Messrs. Peat, Marwick, Mitchell & Co., Chartered Accountants, Toronto, as auditors of the Company, to hold office until the next Annual Meeting of Shareholders.

By-Law No. 12

The meeting is also being held as a special general meeting for the purpose of approving and confirming By-law No. 12 which provides in effect for subdividing and changing each share in the capital of the Company, both issued and unissued, into two shares without par value and for increasing the authorized capital of the Company by the creation of 6,000,000 additional shares without par value ranking equally in all respects with the shares resulting from the subdivision and change aforesaid.

General

The management of the Company knows of no matters to come before the meeting other than the matters referred to in the notice of the meeting. However, if any other matters which are not now known to the management of the Company should properly come before the meeting a proxy given pursuant to this solicitation by the management of the Company will be voted on such matters in accordance with the best judgment of the person voting the proxy.

MINES LAC MATTAGAMI LIMITÉE

(Libre de responsabilité personnelle)

CIRCULAIRE

(En date du 15 février 1974)

Par la présente circulaire, la direction des Mines Lac Mattagami Limitée (libre de responsabilité personnelle) (la société) demande la désignation des mandataires qui seront invités à voter à l'assemblée annuelle, générale et extraordinaire, des actionnaires de la société qui aura lieu le jeudi 11 avril 1974, à l'heure et à l'endroit fixés dans l'avis de convocation et dans le but qui y est énoncé.

La direction de la société demande de remplir la présente formule de procuration ci-jointe et de la lui renvoyer. Cette demande sera effectuée surtout par voie de courrier et la totalité des frais sera prise en charge par la société.

Vote des mandataires

L'actionnaire accordant une procuration grâce à la formule ci-jointe se réserve le droit de la révoquer, le cas échéant, avant qu'elle soit exercée. **L'actionnaire a le droit de désigner, pour le représenter à l'assemblée, un mandataire autre que les personnes désignées sur la formule de procuration.** A cette fin, il peut inscrire le nom de ladite personne sur la ligne prévue à cet effet sur la formule de procuration.

Actions déposées au scrutin et principaux détenteurs d'icelles

A l'heure de clôture le 15 février 1974, le capital de la société était constitué de 6,620,900 actions dont la valeur nominale unitaire était de \$1. Les actionnaires inscrits au registre à la date de l'assemblée ont droit à un vote par action détenue.

Canex Placer Limited, au 15 février 1974, détenait 1,796,076 actions de la société, ce qui représentait 27.2% des actions en circulation, tandis que Noranda Mines Limited, au 15 février 1974, détenait 2,075,000 actions, soit 31.4% des actions en circulation.

Election des administrateurs

Le conseil d'administration comporte dix administrateurs élus chaque année et ce, jusqu'à la prochaine assemblée annuelle ou jusqu'à l'élection ou la nomination de leur successeur. Les personnes désignées dans la formule de procuration ci-jointe ont l'intention de voter en vue de l'élection des candidats désignés ci-après. Ces derniers sont tous à l'heure actuelle administrateurs de la société, postes qu'ils ont occupés depuis les dates indiquées. Si l'un des candidats proposés était, pour une raison imprévue, dans l'incapacité d'assumer les fonctions d'administrateur de la société, les personnes désignées dans la formule de procuration ci-jointe se réservent alors le droit de voter pour toute autre personne de leur choix.

Le tableau suivant et les remarques y afférentes désignent les noms de dix candidats aux postes d'administrateurs ainsi que les fonctions qu'ils occupent au sein de la société à l'heure actuelle, leur profession ou emploi principal, la date de leur nomination au conseil et le nombre d'actions qu'ils détiennent directement ou indirectement dans le capital de la société.

Personnes mises en nomination	Profession principale	Date et nomination au conseil	Nombre d'actions détenues
M. W. Airth Toronto (Ontario) Administrateur	Directeur général de la société	1970	2,300
J. M. R. Corbet Toronto (Ontario) Administrateur	Administrateur de la société	1958	15,000
R. G. Duthie Vancouver (Colombie Britannique) Administrateur	Vice-président de l'exploitation des travaux de Placer Development Limited (société minière)	1966	51
J. A. Hall Toronto (Ontario) Président et administrateur	Vice-président des travaux miniers de Noranda Mines Limited	1971	1,000
Norman B. Keevil Toronto (Ontario) Administrateur	Président et président du conseil de Teck Corporation Limited (société minière)	1971	100
R. Létourneau, c.r. Québec (Québec) Administrateur	Associé principal de l'étude d'avocats Létourneau, Stein, Marseille, Delisle & LaRue	1963	5,000
T. H. McClelland Vancouver (Colombie Britannique) Vice-président et administrateur	Président et chef de l'administration de Placer Development Limited (société minière)	1959	1
J. B. Redpath Toronto (Ontario) Administrateur	Président de Dome Mines Limited	1958	1,100
W. S. Row Toronto (Ontario) Président du conseil et administrateur	Vice-président administratif de Noranda Mines Limited	1959	5,000
W. Dent Smith Wilmington (Delaware) Administrateur	Administrateur de la société	1967	1

Remarque: Les renseignements relatifs aux actions détenues indirectement, dont la direction ne connaît pas les détenteurs, ont été fournis par les candidats eux-mêmes.

Rémunération des administrateurs et cadres supérieurs

1. La rémunération directe globale versée ou devant être versée par la société et ses filiales en 1973 aux administrateurs et aux cadres supérieurs de la société s'élevait à \$ 132,003
2. Le coût estimatif de toutes les prestations de retraite devant être versées par la société et ses filiales en 1973 aux administrateurs et aux cadres supérieurs de la société en vertu des régimes actuels à l'âge normal de la retraite s'élevait à \$ 8,988
3. Au cours de 1973 et conformément aux options d'achat d'actions accordées par la société, des actions de la société ont été achetées par des cadres supérieurs dans les proportions suivantes:

Trimestre en 1973	Nombre d'actions ordinaires achetées	Prix d'achat l'action	Cours des actions à la Bourse de Toronto
Avril — juin	2,625	\$11.69	\$33½ — \$35¾
Juillet — septembre	200	\$26.34	\$32 — \$35¾

(Le prix d'achat est fixé à 95% de la valeur boursière moyenne des actions à la Bourse de Toronto, à la date où l'option est accordée.)

Contrat de gestion

Noranda Mines Limited assure certaines fonctions de gestion relativement à l'exploitation d'une usine de réduction du zinc par électrolyse (détenue en partie par la société) pour laquelle les Mines Lac Mattagami Limitée ont versé \$140,000 en 1973. Noranda Mines Limited met aussi ses services de comptabilité et son siège social à la disposition de la société moyennant un paiement de \$143,000 en 1973.

Les noms et adresses des membres de Noranda Mines Limited sont les suivants: J. C. Dudley, 3701 - 521 Fifth Avenue, New York, N.Y. 10017, E.-U.; Louis Hébert, 511, Place d'Armes, Montréal, Québec; William James, C.P. 91, Commerce Court West, Toronto, Ontario; D. E. Mitchell, 6th Floor, 736 - 8th Avenue S.W., Calgary 2, Alberta; André Monast, 500 est, Grande Allée, Québec, Québec; J. D. Simpson, 700 Burrard Building, Vancouver 5, Colombie Britannique; W. P. Wilder, C.P. 139, Commerce Court, Toronto, Ontario; J. N. Anderson, R. C. Ashenhurst, J. R. Bradfield, W. G. Brissenden, E. K. Cork, J. A. Hall, K. C. Hendrick, J. O. Hinds, L. G. Lumbers, R. L. Pepall, c.r., R. V. Porritt, Alfred Powis, R. P. Riggan, W. S. Row, D. E. G. Schmitt et A. H. Zimmerman, P.O. Box 45, Commerce Court West, Toronto, Ontario. La direction de Noranda Mines Limited a informé la société que Hollinger Mines Limited du 2412, 44 King St. West, Toronto 1, Ontario, détient 1,801,520 actions, soit environ 7.4% des actions en circulation de Noranda Mines Limited et que Labrador Mining and Exploration Limited du 601 - 1155 ouest, boulevard Dorchester, Montréal 2, Québec, filiale de Hollinger Mines Limited, détient 815,310 actions, soit environ 3.4% des actions en circulation de Noranda Mines Limited.

Nomination des vérificateurs

Les personnes désignées sur la formule de procuration ci-jointe voteront en vue de reconduire MM. Peat, Marwick, Mitchell & Co., comptables agréés de Toronto, dans leur fonction de vérificateurs de la société jusqu'à la prochaine assemblée annuelle des actionnaires.

Article 12 des statuts

L'assemblée tiendra aussi lieu d'assemblée extraordinaire afin de considérer et, éventuellement, approuver, ratifier, sanctionner et adopter l'article 12 des statuts de la société stipulant le fractionnement de chacune des actions du capital de la société, émises ou non, en deux actions sans valeur nominale et l'augmentation du capital social grâce à l'émission de 6,000,000 d'actions supplémentaires sans valeur nominale assorties des mêmes priviléges à tous égards que ceux des actions sans valeur nominale résultant de fractionnement et de modification comme prévu ci-dessus.

Généralités

La direction de la société déclare n'avoir pas connaissance d'autre question à l'ordre du jour à l'assemblée sauf celles figurant sur la présente convocation. Cependant, au cas où d'autres questions seraient soulevées avant la tenue de l'assemblée, à l'insu de la direction, le mandataire désigné par la formule de procuration expédiée par la société sera libre de voter sur ces questions selon sa discrétion.